




2011 CalPERS Health Plan Rate and Benefit Changes Seminar
 CalPERS Preferred Provider Organization (PPO) Plan – Anthem Blue Cross



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PPO Plan Options

- PERSCare
 - Longest standing plan design
 - Full Anthem Blue Cross PPO network access
 - Highest level of coverage
- PERS Choice
 - Most popular plan by enrollment
 - Full Anthem Blue Cross PPO network access
 - Competitive coverage, competitive premium



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PPO Plan Options (continued)

- PERS Select
 - New plan design introduced January 2008
 - Subset of Anthem Blue Cross PPO network
 - Same coverage as PERS Choice available, lowest premium



PPO Plan Comparison

- Similarities between PPO Plans
 - \$500 Calendar Year Deductible
 - \$20 Office Visit Co-pay
 - 100% Routine/Preventive coverage
 - \$50 Emergency Room Deductible



PPO Plan Comparison (continued)

- Differences between PPO Plans
 - 90% coverage on PERSCare; 80% coverage on PERS Choice and PERS Select
 - \$3500 Physical Therapy Maximum on PERS Choice and PERS Select; No Maximum on PERSCare
 - Chiropractic & Acupuncture limited to 15 visits on PERS Choice and PERS Select; 20 visits on PERSCare



How the PPO Plans Work

- Services that do not apply to the \$500 calendar year deductible
 - Physician office visits
 - Routine/preventive visits
 - Prescriptions
- For other services, your deductible does apply. After the Deductible is met the percentage based benefit (90% or 80%) will begin



How the PPO Plans Work (continued)

- The Coinsurance (10% or 20%) will apply towards the Calendar Year Maximum Out of Pocket (\$2000 or \$3000)
- Services for Non-Participating Providers are reimbursed at 60%. The 40% Coinsurance does not apply towards a Maximum Out of Pocket



PPO Plans Medical Benefits Changes Summary

	PERSCare	PERS Choice	PERS Select
Lifetime maximum coverage limit of \$2 million being removed		✓	✓
Introducing Value Based Purchasing design for hip and knee joint replacement surgery	✓	✓	✓
Introducing Narrow Hospital Network to produce additional premium savings			✓



Value Based Purchasing Design (VBPD)

- This pilot program targets hip and knee joint replacement surgery
- These expensive procedures are rapidly growing in frequency
- PPO hospital charges for hip and knee joint replacement surgery vary greatly between facilities – even in the same zip codes – without any clinical evidence of differences in quality or outcomes



Value Based Purchasing Design (VBPD) (continued)

- Benefits for these procedures at facilities designated in the VBPD pilot will apply in accordance to the member's plan
- Benefits for these procedures not performed by a VBPD pilot facility will be limited to \$30,000 per procedure
- Total of 44 hospitals chosen as Value Based Purchasing facilities



Narrow Hospital Network (PERS Select)

- Billed charges for PPO hospitals vary greatly with no correlation in quality of care or outcomes
- Two Tiered Hospital Benefits
 - Inpatient and Outpatient services at Tier One hospitals will be covered at the existing Par coinsurance (80%) and maximum out of pocket plan provisions (\$3,000/\$6,000)
 - Inpatient and Outpatient services at Tier Two hospitals will be covered at a lower coinsurance (70%) and higher maximum out of pocket plan provisions (\$6,000/\$12,000)



Narrow Hospital Network (PERS Select) (continued)

- The value of using more cost effective Tier One hospitals produced lower 2011 premium rates
- With identical coverage as PERS Choice available, 2011 PERS Select premiums will be approximately 13% lower than PERS Choice
- Total 159 hospitals chosen within Tier One




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Locating a Provider at www.anthem.com/ca/calpers

- Click “Find a Doctor” link on the home page and follow the prompts






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Website and Wellness Services

- 360° Health Services
 - ConditionCare: Asthma, Diabetes, COPD, CAD, HF
 - Future Moms
 - 24/7 NurseLine coupled with comprehensive Audio Library
- SpecialOffers Discount Programs
 - Complementary and Alternative Care: massage therapy, acupuncture, chiropractic
 - Club Memberships: Curves, Bally's, Anytime Fitness
 - Weightloss: Jenny Craig, Weight Watchers
 - Smoking Cessation Program




2011 CalPERS Health Plan Rate and Benefit Changes Seminar
 CalPERS Preferred Provider Organization (PPO) Plan – Anthem Blue Cross

Website and Wellness Services (continued)

- On-Line Resources @ www.anthem.com/ca/calpers
 - WebMD
 - MyAnthem
 - MyHealth Record
 - Claims status
 - Treatment Cost Advisor
 - Anthem Care Comparison - Hospital Comparison Tool
 - Healthy Living
 - Kids In Charge of Calories (KICK)




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About Medco

- Provides pharmacy benefit management services for approximately 65 million Americans
- In 2009, managed 695 million prescriptions (103 million prescriptions through mail service), operating at better than Six Sigma quality levels
- Partners with approx. 60,000 retail pharmacies nationwide
- In 2009, 27.5 million prescriptions were processed through medco.com
- 12,000+ of the new prescriptions each week are ePrescription



CalPERS Health Plan Rate and Benefit Changes Seminar
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About Medco (continued)

- In 2010, Medco captured the No. 1 position in the Health Care sector on Fortune's Most Admired Companies List for the third consecutive year. In this sector, Medco ranked No. 1 in five attributes: innovation, use of corporate assets, quality of management, financial soundness, and quality of products/services.
- Medco pharmacists are specialists, trained to support patients with specific conditions such as diabetes, asthma and cardiovascular disease



Prescription Benefit Basics – Drug Types

- Preferred brand medications
 - Brand preferred by the plan based on an independent clinical review board decision
 - Original manufacturer still holds patent
 - No generics available yet
 - Example: Crestor



Prescription Benefit Basics – Drug Types (continued)

- Non-preferred brands
 - Brand not preferred by the plan based on an independent clinical review board decision
 - Alternative generics and/or brand medications are available
 - Example: Prilosec
- Generic medications
 - Usually available from many manufacturers
 - Less costly than brand medications
 - Example: acyclovir



Prescription Benefit Basics – Drug Types (continued)

- OTC (over-the-counter)
 - Not covered by CalPERS except diabetic test strips, insulin, and lancets
 - Several key prescription drugs were recently approved for OTC sale, including Claritin, Prilosec, and Zyrtec
 - New for 2011: Prescription medications with an OTC equivalent are not covered



Prescription Benefit Basics – Drug Types (continued)

- Specialty drugs
 - Many require injection or IV infusion
 - May require special safety monitoring, patient training and coordination of care
 - Unique requirements for handling and storage
 - Often used to treat patients living with severe, chronic conditions, such as multiple sclerosis, pulmonary hypertension, and hemophilia
 - Examples: Enbrel, Recombinate



Prescription Co-pays

	Retail (30/34 day supply)	Maintenance medications after 2 nd refill	Mail Order (90 day supply)
Generic drugs	\$5	\$10	\$10
Preferred brand drugs	\$15	\$25	\$25
Non-preferred brand drugs	\$45	\$75	\$75
Lifestyle medications*	50%	50%	50%

* Medications such as Viagra, Levitra and Cialis



Prescription Co-pays (continued)

- Out-of-pocket (OOP) maximum at mail is \$1,000 per calendar year; once a member incurs a \$1,000 at mail, the mail service co-pay is \$0 for the remainder of the year
 - New for 2011, non-preferred medications will be excluded from the OOP maximum
- Prior authorization may be required for some medications.
- Upon approval, some non-preferred medications are eligible for a partial co-pay waiver
 - New for 2011, if granted, the non-preferred co-pay at retail is \$40 and at mail is \$70



Prescription Co-pays (continued)

- Refer to medco.com for preferred drug status and to identify other preferred medications and savings opportunities



Preferred Drug List (Formulary)

- A formulary is a list of generic and brand-name drugs that are preferred by the plan
 - The formulary list offers member choice while helping to keep the cost of the prescription drug benefit affordable
- The list is developed by a clinical committee of national medical experts
 - The committee meets at least quarterly to make updates.
 - Medco notifies patients when there will be a change in status of their drug that will result in a higher copay.



Preferred Drug List (Formulary) (continued)

- Members can refer to www.medco.com or call member services to determine if a specific drug is preferred.





Getting Started with Mail Prescriptions

- Ask doctor to prescribe for 90 day supply and refills for up to 1 year, if appropriate
- Send prescription to Medco
 - Doctors – send via fax or electronic transmission (eRx)
 - Patients – send via mail
 - Mail order form and address available by calling 800-939-7091 or by visiting www.medco.com/calpers



Getting Started with Mail Prescriptions (continued)

- Delivery timing
 - Members should have at least a 14 day supply of medication on hand when ordering
 - New prescriptions delivered 8 days and refills 3-5 days after order is received
- Payment
 - Can be made by credit card, check, money order or e-check
 - Standard shipping is free
- Pharmacists are available 24/7 to speak with patients



Getting Started with Mail Prescriptions (continued)

- Refills can be ordered by phone (800-939-7091) or www.medco.com/calpers or you can join Medco's Worry Free Refill program
- Packaging
 - Most orders are sent via U.S. mail in a tamper proof envelope
 - Some medications that are refrigerated or frozen will arrive in special packaging
 - Includes a literature pack



Getting Information about the Prescription Benefit Before January 1st

- What type of information can I get before January 1st?
 - Copays and other prescription benefit highlights
 - Compare prescription medication costs
 - Use My Rx Choices, Medco's tool to identify savings opportunities
 - Find a local, participating retail pharmacy
 - Determine the formulary or preferred drug status of your medications
 - How to get started with Medco's mail service



Getting Information about the Prescription Benefit Before January 1st (continued)

- How can I get information?
 - Call Medco Member Services at 1-800-939-7091
 - Press "1" to speak to an Open Enrollment representative
 - Visit the open enrollment website at www.medco.com/calpers
 - You may then select information about the plan from the right hand side of the web page; you will be taken to the open enrollment website for the benefit you selected.



Member Support

- Member Service – 800-939-7091
- New member materials
- Periodic communications
 - Letters to remind members to use My Rx Choices, announce new generics, introduce new prior authorization edits and more
- Medco website – www.medco.com/calpers
- Brochures – open enrollment, benefit fairs



CalPERS Health Plan Rate and Benefit Changes Seminar

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Medco.com Features

- Medco Health Store™
 - Enhanced online drugstore that offers over 25,000 nonprescription health, wellness and personal care products.
- "For Your Dr. Visit"
 - Members may view and print a personalized prescription history, pharmacy benefit overview, formulary guide and a new prescription fax form to share with their physician.



CalPERS Health Plan Rate and Benefit Changes Seminar

CalPERS Preferred Provider Organization (PPO) Prescription Benefit – Medco

Medco.com Features (continued)

- My Rx Choices
 - Provides members with personalized reports that compare medications they are taking on an ongoing basis to any lower cost alternatives available under your plan.





2011 CalPERS Health Plan Rate and Benefit Changes Seminar

Helpful Websites and Phone Numbers

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| • CalPERS <ul style="list-style-type: none">- www.calpers.ca.gov- 888 CalPERS (or 888-225-7377) | • Blue Shield of California <ul style="list-style-type: none">- www.blueshieldca.com/calpers- (800) 334-5847 |
| • Anthem Blue Cross <ul style="list-style-type: none">- www.anthem.com/ca/calpers- (877) 737-7776 | • Kaiser Permanente <ul style="list-style-type: none">- www.kp.org/calpers- (800) 464-4000 |
| | • Medco <ul style="list-style-type: none">- www.medco.com/calpers- (800) 939-7091 |

2011 CalPERS Health Plan Rate and Benefit Changes Seminar
Northern California Sessions

Date: July 30, 2010
Segment: Health Plan Rate and Benefit Changes Seminar
Host: Don Sherman and Pamela Goldberg
Guests: Mark Johnson, Anthem Blue Cross
Gloria Feldman, Medco

Video Transcript

Don Sherman:

I would like to introduce and hand the presentation over to Mr. Mark Johnson from Anthem Blue Cross and there's your slide Mark.

Mark Johnson:

Good morning everyone. Well the first thing I'm going to do is provide an overview of the PPO programs. Firstly, there are three separate PPO plans that are self-funded by CalPERS. They use us at Anthem Blue Cross to perform the benefits administration on the medical benefits. And they have Medco provide the pharmacy benefits administration activity. There are three separate plans as you probably are aware. The first plan is PERSCare. That is a plan that's been in existence the longest. It does offer the full spectrum of the Blue Cross network. It also has the highest coverage. It's also the highest premium cost. PERS Choice is by far the most popular of the three PPO plans. Approximately 90% of all the PPO enrollment of under age 65 members are enrolled in the PERS Choice plan. It again has like PERSCare the full spectrum of the Blue Cross network and based on our review, compared to PPO plans that are offered in the private and public employer environment, it's a very competitive plan in both benefits and in premium cost. The third plan is the PERS Select plan. And this is a plan that was introduced in January 2008. It uses a subset of the full Blue Cross physician network, about 60% of the physicians who are in our full network are participating in the Select network. Now, these are physicians that we've identified perform more cost efficient medical care without compromising quality. It has the same coverage level that's available under PERS Choice and this plan is at a lower premium cost. What we are doing, and I'll get into this in a couple of additional slides that will be forthcoming, we are introducing a new concept of the PERS Select plan in 2011 where we are going to be introducing a narrower hospital network.

The similarities between the three PPO plans is that they all share a \$500 annual deductible. They all feature a \$20 office visit copayment. They all feature 100% routine and preventive coverage. And they all feature a \$50 emergency room deductible. The differences between the PPO plans is that as PERSCare is the richest benefit in benefit coverage, it is basically a 90/10 plan, a 90% coverage level from the plan, 10% on the members part after the deductible's been met. PERS Choice and PERS Select are 80/20 plans. 80% co-insurance by the plan, 20% on the member's part after the deductible is met. PERS Choice and PERS

2011 CalPERS Health Plan Rate and Benefit Changes Seminar
Northern California Sessions

Select have a maximum amount of coverage under physical therapy, where there is no maximum under PERSCare. Chiropractic coverage under PERSCare is richer than is available under PERS Choice and PERS Select. PERSCare offers 20 combined visits and PERS Choice and PERS Select 15 visits.

Now, how does a PPO plan work? Well, basically there's the \$500 calendar year deductible. Physician office visits, routine preventive visits, and medication prescriptions, now they do not get applied toward the \$500 deductibles. Largely services such as surgery services, hospitalization, imaging services, behavior health, chiropractic, acupuncture, those are subject to the \$500 deductible. After the deductible's been met, then the, on the PERSCare plan, the 90/10 plan design kicks in. And for PERS Choice and PERS Select, it's the 80/20 arrangement.

Now services for non-participating providers on all three plans is reimbursed at 60%. All PPO plans that I'm aware of provide a distinct disincentive for members to use non-participating providers. Also an additional item is that on the maximum out-of-pocket co-insurance under PERSCare is limited to \$2,000 per year, per member, and it is \$3,000 on PERS Choice and PERS Select. In my view, if you have an employee who's interested in PPO coverage, I think the fundamental question they may want to ask themselves is "Am I willing to share more in medical expenses to have unrestricted freedom to choose to direct my medical care?" In my mind, that's the value proposition of PPO coverage. You're not assigned a primary care physician. You call the shots on where you go, and who you see. Granted on a PPO plan, you have to share more in plan expenses. There's a deductible which obviously is not existing in the two HMO options. And there's coinsurance obligations. Another thing to keep in mind for someone interested in PPO coverage if they tend to have a healthy year, they'll pay \$20 for routine office visits, their preventive care is covered at 100% and they would pay copayments just like an HMO plan for the medications. So an individual may have a relatively healthy year, still see physician services, receive medications, and not pay much more than they would under HMO coverage.

Now I want to get into some of the key 2011 benefit changes. Under the PERS Choice and the PERS Select plan, as Don Sherman had mentioned, the two million dollar lifetime maximum is being removed. And this is a provision of healthcare reform. I know for years that the two million dollar maximum made people a little bit nervous. We had very few people who ever hit the two million dollars, but effective next year, it will no longer exist.

We are introducing two new programs to the PPO programs in 2011. First we are introducing a Value Based Purchasing Design specifically for hip and knee joint replacement surgery. And this will apply to all three of the PPO plans. We are introducing a Narrow Hospital Network to compliment the Narrow Physician Network under the PERS Choice plan. Now the Value Based Purchasing Design program, this is a pilot program that we have developed working with the

2011 CalPERS Health Plan Rate and Benefit Changes Seminar Northern California Sessions

CalPERS board administration. One thing that we do at Anthem Blue Cross in which we in turn provide to CalPERS staff, is tons and tons and tons of medical data. And one thing is quite apparent is that knee and hip joint replacement surgeries are growing in frequency at an alarming rate. On the good news it's providing a very valuable service to members but they are very, very expensive services. The other thing we've noticed is that hospitals around the state charge services their particular charges for these procedures at very large disparities in what they charge. It's not uncommon in California to have one hospital charge \$80,000 for their services for a routine knee or hip joint replacement surgery, and another hospital with comparable quality three miles away may charge \$28,000. We know that for a fact. We see all the data. So what we are trying to do is develop a way to rein in these costs. So what we've done with the CalPERS board is we are launching this pilot program. We have designated 44 facilities around California, and these are some of the premier hospital facilities in the state. And the way the program is going to work is that we have created a threshold of \$30,000 payment that these 44 hospitals will accept in total, other than members' coinsurance obligation, for a routine knee or hip joint replacement. We will have all these 44 hospitals available to people online. There is also going to be a process in place through the precertification process if somebody is proposing to have this surgery done at a non-designated value based hospital. Thirty thousand dollars again will be the threshold amount and if someone should happen to make a conscious decision to go to a facility that is not one of the 44 designed hospitals for this type of procedure, then, and if the bill ends up begin beyond \$30,000, they would be responsible for the difference.

Now the next particular important benefit change that we are making, and this is specifically to the PERS Select plan is that we are introducing a Narrow Hospital Network. Again, the same theme as the value based program for knee and hip joint replacement. We know that hospitals throughout the state of California charge, there's a large variance of charges for the same exact services. This is actually one of the key theme that CalPERS was involved with several years ago with the Sutter system. In that they had an outside consultant identify that the Sutter system was charging hospital charges that were 60% higher than the average hospital charges throughout the state. So what we've done at Anthem Blue Cross is that we're creating a two-tiered hospital network design within the PERS Select plan. What we are going to do is with a Tier One hospital, and there will be about 160 hospitals designated as Tier One, that's about 42% of our entire statewide hospital network. These will constitute Tier One facilities in that the existing coinsurance provisions under the PERS Select plan, that is \$3,000 maximum out-of-pocket on that 80/20 arrangement will remain. If an individual wishes to have their medical services done at a Tier Two hospital, and again this is only in the PERS Select plan, the coinsurance is lowered to 70% and the maximum out-of-pocket increases to double the amount, \$6,000 per member, \$12,000 per family. So clearly there is a disincentive to use Tier Two hospitals. Now you may ask "Why is this happening? Why are you putting this particular Narrow Hospital Network in?" By doing so, we're able to project that we'll be

2011 CalPERS Health Plan Rate and Benefit Changes Seminar
Northern California Sessions

able to offer the PERS Select plan and we have lower hospital costs. And what we've done working with the CalPERS board and staff is that the premium differential between PERS Select and PERS Choice in 2011 will be 13% difference. So the value proposition is we can offer an individual the same, they have access to the same benefit coverage as PERS Choice but in using a more cost efficient physician network, and a more cost efficient hospital network, and they are large networks, that they can have the identical coverage available at a 13% lower premium cost. Times are tough and it was, in discussing how things are economically, it was stressed to us that we need to come up with an idea that will help lower premium costs. Overall throughout California, the PERS Select plan is the lowest cost medical program available in 2011 in the CalPERS program.

At Anthem Blue Cross we have created a shared website with CalPERS. This is a picture of what that particular website address looks like. We have loaded a ton of information on there. This website has many many tools that you can use. One of the key components of this website is called the provider finder. And you'll notice a friendly physician there on the home page, if you press on that, that provides you a link to be able to identify who are the physicians, let's say participating in our network, who are, which hospitals will constitute the Tier One under the PERS Select plan, which are the physicians that participate as Select physicians under the PERS Select plan. We've had a lot of success with this website.

Also on Anthem Blue Cross, we offer like most medical plans or medical insurance companies provide these days, a full array of disease management programs. This is all covered under our 360 degree health services program, along with a future moms program for high risk pregnancies. We also provide a 24/7 nurse line. We also provide special offers and discount programs that are available through the website. We also provide other resources such as a direct link to Web MD. You can have your own health record recorded. You can look up your own claims status. We also have the ability through our Anthem Care comparison program to actually shop beforehand before you receive medical services to see what comparative hospital costs are. And that type of tool could help you reduce what your, say 20% portion might be under PERS Choice and PERSCare coverage or your 10% under PERSCare. So in essence we do have a lot of resources available through the shared website with CalPERS. And again a lot of members have informed us they find them very productive and very useful tools for their use. Thank you very much.

Pamela Goldberg:

And now we'd like to invite from Medco Gloria Feldman.

Gloria Feldman:

Thank you. My name is Gloria Feldman. I'm with Medco. I support the PPO plans for CalPERS. Medco provides prescription drug benefit coverage for the

2011 CalPERS Health Plan Rate and Benefit Changes Seminar
Northern California Sessions

PERSCare, PERS Choice and PERS Select plans. And what I'm going to talk to you about for the next 15 minutes or so is I'll go into a little bit about Medco, I'll go over the categories of types of medications out there, we'll talk specifically about the prescription benefit designed for CalPERS, and some of the new items for 2011. We'll talk about how to use Medco's mail service pharmacy, and we'll talk about how members can access information about the 2011 plan design changes. And then finally we'll talk about Medco.com and some of the other tools we offer to your members.

Okay. We'll get into a little bit about Medco now. Medco provides pharmacy benefit management for approximately 65 million Americans. And last year we managed prescriptions, both retail and mail prescriptions, for about 700 million prescriptions, 100 million of which were mail order prescriptions. And we also partner with approximately 60,000 retail pharmacies in our network and that's nationwide. Most major chain pharmacies are in our network as well as independent pharmacies. In 2009, just under 27 million prescriptions were processed through Medco's website, Medco.com. And weekly we're seeing about 12,000 new prescriptions that come through to be e-prescriptions. So we're seeing a trend where doctors are moving more toward paperless prescriptions.

One of the things we're really proud about as a company at Medco is in 2009 we, excuse me, in 2010 we captured the #1 position in the healthcare sector on Fortune's most admired companies list for the third consecutive year. In this sector, Medco ranked #1 in several attributes including innovation and quality of products and services. And I think that innovation and quality of services can really be seen in the next bullet point that talks about our Medco pharmacists. Medco's pharmacists in our mail services facilities throughout the country are what we call specialist pharmacists. And what that means is they're specifically trained to support patients with specific conditions, for example, diabetes, asthma or cardiovascular disease. These pharmacists can work with patients directly and their doctors to identify if there's potential gaps in care in a patient's therapy and help them to resolve those various gaps in care. And we find that it results in overall improved quality of service for our members.

Now we'll move in and talk a little bit about different drug types. The first drug type I want to talk about is preferred brand medications. Preferred brand medications are preferred by the plan and are based on an independent clinical review board decision. These are typically brand medications that only have one manufacturer. That manufacturer holds the patent on that medication and there are no other equivalent products out in the marketplace. No generics for example. An example of this type of a drug would be Crestor or Lipitor.

The next type of drug I want to talk about is non-preferred brand medications. These are medications also determined by an independent clinical review board. However, these products do have alternatives out in the marketplace. They

2011 CalPERS Health Plan Rate and Benefit Changes Seminar
Northern California Sessions

either have a generic product available or other alternative brand name products available. So if there are multiple points of access for the product, that typically the originally branded product then moves to what we call a non-preferred status and ultimately takes a higher copayment than a preferred or generic medication.

The next type of drug I'll talk about is generic medications and these are available from multiple manufacturers and they're significantly less costly than brand medications. Generics are considered to be safe and effective as their brand name counterparts and they have the same active ingredients as the brand name medications.

We'll move to over-the-counter products. Over-the-counter products are not covered under the PERS PPO plans with the exception of diabetic test strips, insulin and lancets. Several prescription drugs have recently gone over-the-counter. You may have seen commercials on television for these. They include products like Claritin, Prilosec and Zyrtec. And one of the items I want to highlight here is new for 2011, is prescription medications with an over-the-counter alternative are not covered and there's a little typo here in this presentation. It says over-the-counter equivalent, but it's actually over-the-counter alternative products will no longer be covered in 2011.

The next type of drug, and final drug type I'll talk about today is specialty drugs. These are typically high cost medications that require sometimes injection or intravenous infusion. They require safety monitoring typically. They might require special training needs and coordination of care. Could have unique handling and storage requirements such as refrigeration. And they're often used to treat patients living with severe or chronic conditions such as multiple sclerosis or hemophilia. A common specialty medication you might have heard of or seen on television is Embril which is used to treat rheumatoid arthritis. Medco has our specialty pharmacy called Accredo that works directly with patients who have these types of chronic conditions and require specialty medications to ensure that they're getting these medications in a, in the proper timeframe with the proper training and care, so that they're staying consistent with their therapy.

Now we'll move into some of the specific plan design information for the PPO plans. We'll move to the copay chart here. And you'll see the first two columns in the copay chart represent retail copayments. The only difference on the prescription drug plan between the PERSCare, PERS Choice and PERS Select plans is the day supply allowance at retail. PERSCare allows up to a 34 day supply at retail, whereas Choice and Select allow up to a 30 day supply. Other than that distinction, the plans are the same across the board. So the generic copayments at retail for short-term medications can be seen in the first column and that's a \$5 generic copayment, \$15 preferred brand copayment, and a \$45 non-preferred brand copayment. And I'm going to leave the last line to talk about at the end of this slide. The second column represents the copayments for maintenance medications at retail. After the first two fills at retail, members are

2011 CalPERS Health Plan Rate and Benefit Changes Seminar Northern California Sessions

subject to a higher copayment on maintenance medications. We like to encourage to switch those medications over to mail order. They get a 90 day supply for the same copay they would be paying after that second fill at retail. And so they're really saving a lot of money if they choose to move to mail order. So the copayments on the maintenance supplies at retail are \$10 for generics, \$25 for preferred brands and \$75 for non-preferred brands. And you'll see those amounts mirror the amounts in the mail order column so we highly encourage members to switch those maintenance medications over to mail. The last line in the chart references lifestyle medications, or you'll probably hear it described as discretionary medications. This is one of the new items for 2011. There will be a 50% coinsurance on these medications across the board at both retail and mail and some examples of discretionary medications are Viagra, Levitra and Cialis, the erectile dysfunction drugs.

We'll move down to the next slide which talks a little bit more about copays. The PPO plans have an out-of-pocket maximum at mail on the prescription benefit. It's \$1,000 per calendar year per patient. And once the member or patient I should say, incurs \$1,000 out-of-pocket at mail, the copayment is reduced to zero for the remainder of the year. One of the new items that I want to highlight for 2011 is that non-preferred brand medications will be excluded from that out-of-pocket maximum. So starting in 2011 only generic medications and preferred brand medications will count towards the member's out-of-pocket max at mail.

I just want to point out that some prescriptions may require prior authorization for use. And upon approval, some non-preferred medications can be eligible for a partial copay waiver. There's a new item here that I also want to point out for 2011, and that is if the partial copay waiver is granted for the non-preferred medication at retail the copayment is \$40 and \$70 at mail. This is essentially a \$5 increase from what is currently in place today.

Okay. I think we can move to the preferred drug list slide. We'll talk a little bit about the preferred drug list, it's also known as the formulary. A formulary is a list of generic and brand name drugs that are preferred by the plan. The formulary list offers members a choice while helping keep the cost of the prescription drug benefit affordable to both the member and the plan. The list is developed by a clinical committee of national medical experts, and the committee is made up of pharmacists and physicians who meet on a quarterly basis to make updates to the preferred drug list or formulary. When there's changes to the formulary that would impact a member by increasing a copayment because perhaps their drug was at a preferred brand copayment previously and now it's going to be considered non-preferred, we do do member notification to let them know that the higher copay will be applying.

Members can get information about the preferred drug list or the formulary on our website at www.medco.com or they can always contact our customer service representatives and we can mail them a formulary guide as well.

2011 CalPERS Health Plan Rate and Benefit Changes Seminar Northern California Sessions

The next thing I want to talk about is getting started with mail order prescriptions. Mail order is a really important part of the benefit and we really encourage members to use mail order. The way that they get started is by asking their doctor to prescribe a 90 day supply of their long-term medications and then refills for up to one year if that's appropriate. They can either send the prescription to Medco, the patient can send it by mail or the doctor can send it in my fax or by the e-prescription I talked about a little bit earlier. Members can get a mail order form from the Medco website or also by calling Medco's customer service. Once we receive a prescription it typically arrives, we like to encourage members to have at least a 14 day supply on hand when they're ordering their first mail order prescription. We don't want there to be any interruption of therapy. So typically a prescription takes 14 days to arrive for new prescriptions and 8 days for refills. I'm sorry, it's new prescription are delivered in 8 days and 3 to 5 days for refills. Members can pay via multiple methods, check, credit card, money order, and standard shipping is free. Refills can be ordered by the phone or on the website. And packaging of the medication is typically sent in tamper-proof packages through US mail and includes some literature along with the prescription.

One thing I want to highlight here, and I think I'm running a bit short on time, which is how to, how members can get information about their prescription benefit before January 1. So they want to know what the plan has to offer to help them make a decision and making their plan choice for the beginning of the year. We have two features that can do that. Basically members can call Medco member services and speak to press 1 to speak to an Open Enrollment representative. This will direct them to a specialist who can answer specific questions about the 2011 plan design coverage. They can also go to a special open enrollment website that we have up at Medco.com/calpers. On the right hand side on that nav bar, is a section where members can access more information about the prescription benefit.

Thank you for your time today.

**Anthem Blue Cross (PPO)
PERS Care/ PERS Choice / PERS Select
Questions & Answers**

Q. What is the annual amount to calculate for an employee (1-party) who uses in-network providers—is it \$500 deductible plus \$3,000 out-of-pocket for a maximum of \$3500?

A. That is correct, plus applicable copayments (e.g. office visits, prescriptions, ER use)

Q. Under a PPO, are we going to maintain the \$20 copay office visit for a Primary Care Physician as well as specialist visit--or is a specialist visit increasing to \$30 copay?

A. There are no office visits changes in the PPO plans for 2011.

Q. Please clarify -- For out of network doctors in the PPO plan, is it the Payment 60% of "reasonable and customary" or 60% of the CalPERS PPO negotiated rate with the in-network providers?

A. It is 60% of the fee level that would have been paid for a participating provider.

Q. PPO Plan: Is the \$3500 the maximum for Physical Therapy and why isn't it higher?

A. This maximum amount has been in place for many years and there has not been evidence that this annual amount is inadequate.

Q. I heard that Blue Shield HMO and Kaiser offer basic eye exams? Do the Anthem PPO plans offer this as well?

A. The CalPERS PPO plans do not.

Q. For PERS Choice, Care & Select - for emergency services, do Tier II vs. Tier I apply?

A. A PERS Select member will not be penalized if they receive hospital services at a Tier 2 or Tier 3 facility in an emergency situation.

Q. How does one access the hearing aid purchase benefit under PERS Choice or PERS Select? The Anthem Blue Cross PPO network includes hearing aid dispensers.

A. These providers can be found through the provider finder tool under the Anthem Blue Cross/CalPERS microsite www.anthem.com/ca/calpers

Q. PERS Choice - we are an out-of-area county and currently receive 80/20 benefit even when using a non-provider. Will there be any change in this for 2011 for out-of-area counties?

A. No change in 2011.

Q. How soon will we know which hospitals will be in or out of PERS Select? Which will be in Tier 1 and which will be in Tier 2?

A. We will have this information available at health fairs and within the Anthem Blue Cross/CalPERS microsite at www.anthem.com/ca/calpers

Q. I live in a very high cost of living area, Monterey. Currently my hospital Community Hospital of Monterey is not in the Select Network. Will it be for 2011 and under which Tier?

A. Only Natividad Hospital will be considered Tier One in Monterey County.

Q. If I search for a hospital on the Anthem website now, how do I know which hospitals will remain and which will fall off the list as of 1/1/2011? Do you have a list of which hospitals are included?

A. Hospitals rarely drop their PPO affiliation with Anthem Blue Cross. At this time, we do not anticipate any hospitals dropping out of our PPO network.

Q. Will there be a holiday premium for the PPO plans this year?

A. CalPERS has not communicated a premium holiday for 2010.

Q. If we live in an area with only one hospital in the city, and it's ranked expensive, will members be penalized with the joint replacement facility reduced pricing if there is no option to travel elsewhere? Is there a cap on mile radius between hospitals or surgery centers for rural areas?

A. If the closest VBPB designated facility is 50 miles or more away from the member's residence the plan will reimburse for appropriate travel to that facility. This will be coordinated through case management prior to services being rendered.

Q. Is a \$250 hospital copay per admission for bariatric surgery being added for 2011 for PPO's if the member does not use a Center of Expertise?

A. There are currently no benefits for bariatric surgery performed at a Non-COE for Basic plan members who reside in California. That is not changing in 2011. The \$250 copay addition only applies to out of state Basic plan members.

Q. PPO Plans Medical Benefits Change Summary Chart – please confirm which plans are going to remove the \$2 million lifetime maximum limit?

A. PERS Choice and PERS Select will both be dropping the \$2 million lifetime maximum benefits effective January 2011.

Q. Can you explain what a co-insurance would be (come into effect) under the PERS Select? Will the PERS Select area availability be expanded? i.e. available in Bay Area?

A. The coinsurance arrangement under PERS Select is currently identical to PERS Choice. Effective in 2011, a narrow hospital network is being introduced to PERS Select. Tier one hospitals will be covered at the existing 80/20 coverage level, but Tier two hospitals will be covered at a reduced 70/30 coverage level. Additionally, the maximum out of pocket liability in using Tier two hospitals would be doubled to \$6,000 individual/\$12,000 family. The PERS Select plan coverage area is not expanding in 2011; Marin, Alameda, Solano and Placer counties will remain ineligible for PERS Select enrollment.

Q. Any restrictions on seeking massage therapy? (e.g. has to be recommended by the physician).

A. Massage therapy is not a covered benefit of the CalPERS PPO plans.

Q. We are an out-of-area County and presently receive 80/20 coverage even when using a non-provider. Will there be any change to this for out-of-area counties?

A. There will be no change to this arrangement in 2011.

Q. Will the PPO plans offer any coverage for non-vital organ transplants? And will they cover the medications required for non-vital organ transplants? (non-vital organ transplants are hands or limbs)

A. CalPERS has not added this coverage for 2011.

Q. Will you be talking about any changes that may be affecting the PORAC Blue Cross PPO plan?

A. There are no 2011 plan changes for PORAC.

Q. Will rates be increasing for the PORAC Blue Cross PPO Plan?

A. The PORAC Police and Fire plan will have an 8.94% rate increase in 2011.

Q. If our employee is already a member of Weight Watchers or 24-Hour Fitness can they still get the discounts?

A. They should discuss with the vendor directly.

Q. Does Anthem Blue Cross have contracted discounts with Ballys, Gold's Gym or CURVES?

A. Through *SpecialOffers* there are several vendors who provide discounts to Anthem members, including gyms. The member should review the website and see what vendors participate in their area.

**Medco
Pharmacy Benefits Plan (PPO)
Questions and Answers**

Q. Does Medco have a Website for members to view their prescriptions and year-to-date paid co-payments?

A. Yes, the Medco Website is www.medco.com/calpers. Once you register on the Website, you can view your prescription claim history and year-to-date co-payments, order refills, price a medication, access health and wellness information, and more 24-hours a day, 7 days a week.

Q. Where are mail orders shipped from?

A. The **Medco Pharmacy**[™] mail-order service operates nine mail-order pharmacies across the United States. A majority of CalPERS members who are living in California will receive their medication orders from our pharmacy in Las Vegas. However, some orders may be shipped from other locations, based on factors such as type of medication and shipping destination.

Q. What are examples of maintenance medications?

A. Maintenance medications are those taken on a long-term basis to treat conditions such as arthritis, diabetes, or high blood pressure. Maintenance medications are usually taken for longer than 60 days.

Q. On the website provided in the presentation, I do not see information about open enrollment or the 2011 benefit. Has it been posted yet?

A. The new 2011 links will be posted on the Medco Website, www.medco.com/calpers, by the beginning of CalPERS open enrollment on September 13, 2010.

Q. Does Medco only support the CalPERS PPO plan participants?

A. Yes, Medco only supports the prescription benefit for the CalPERS PPO plans, PERS Choice, PERS Select, and PERSCare.

Q. Can you clarify the OTC alternative coverage, ie Prilosec. If the doctor writes a prescription for a generic Prilosec, will it be covered or not now that Prilosec is sold over the counter?

A. Beginning January 1, 2011, prescription medications for which OTC alternatives are available will no longer be covered. Examples include hydrocortisone, *Zantac*, *Pepcid*, and various allergy medications, such as *Xyzal*, *Allegra D*, and fexofenidine. The plan has not changed coverage for Proton Pump Inhibitors (PPIs) such as *Prilosec*. For example, prescription *Prilosec* (brand) and omeprazole (generic) will be covered at the appropriate co-payment amount if ordered with a valid doctor's prescription. The OTC versions of *Prilosec* and omeprazole may be purchased without a prescription but will not be covered under the benefit.

Q. Can you give an example of a prescription drug that may have an OTC alternative that disqualifies it from coverage?

A. Beginning January 1, 2011, prescription medications for which OTC alternatives are available will no longer be covered. Examples include hydrocortisone, *Zantac*, *Pepcid*, and various allergy medications, such as *Xyzal*, *Allegra D*, and fexofenidine.